G. R. S. 58]

Previous references.
G.F. 54-14 Ss. 10 & 11, B. May 1915.
G.F. 23-11 Ss. 1 to 7, 12, 14, 22 & 23 B. May 1913.
G.F. 54-14 Ss. 5 & 6, B. Feb. 1915.
G.F. 12-13 Ss. 9 & 10, B. Jan. 1914.
Later references.
G.F. 23-11 Ss. 24, 25, 26 & 27, B. April 1913.

1915.

(G.F.)

File No. 33-15

Serial Nos. 1 and 13

G.F. 14-16 Ss. 1, 6, 9, 10, 13, 18-20, B. Feb. 17

p. 18 ?

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1 and 13

Part B for December 1915

SUBJECT.

The Mysore Spinning and Manufacturing Co, Ltd.

Sl. 1. From messrs N. Sivan and Co. Agents of the Company.

Letter dated 19-8-15.

Submit the reply of the Directors in the matter of the enforcement by Govt of the Condition in the latest mortgage deed re the Company's reducing its indebtedness by paying two thirds of its net profits with effect from the year 1917.

GPB—10,000—23-3-15

Sl. 13. H. order:—
Writer refers their representation dt 19-8-15 informs that Govt have decided to postpone the issue of the contemplated notice (re the reduction of their indebtedness to the Mysore Govt) for the present but cannot enter into any [illegible] restrictive of their liberty to enforce the terms

M. Ka. Aranadhya 7-12-1915

G. R. S. 11] 1915.

GENERAL AND REVENUE SECRETARIAT.

(G.F.)

NOTES.

File No. 33-15

FILE HEADING.

The Mysore Spinning and Manufacturing Co, Ltd,

From

Messrs N. Sivan & Co, Agents of the Company

No. Letter Dated 19.8.15 Received 21.8.15

Diary No. 656	Enclos.	Spare Copies.	Serial No. 1.

BRIEF ABSTRACT OF LETTER.

Submit the reply of the Directors in the matter of the enforcement by Govt of the Condition in the latest mortgage deed regarding the Company's reducing its indebtedness by paying two thirds of its net profits with effect from the year 1917.

P

NOTES AND ORDERS.

N. 1. In this Office no. 7126 dt. 27.5.1915 the opinion of the Directors of the Company was asked for, regarding the enforcement of the Condition referred to by issuing the contemplated notice at an early date.

NOTES—First Sheet.

GPB—20,000—8-8-14

G. R. S. 12]

General and Revenue Secretariat. | S.7 File No. 33 of 1915.

Serial No.

At the end of May an adinterim reply was received from the Agents, and now the opinion called for is submitted.

2. The Directors are stated to be unanimously of opinion that East Shand not exercise the right in Sheshan from 1917, but Shand graciously agree to receive in 1921 a Sum equal to the total of the payments which they would have received if the right to give notice in 1916 was exercised, the balance of the loan that may remain due after such payment in 1921 being paid in 1925 as provided in the mortgage deed.

Para 6 of Paper under disposal

× P.

3. The grounds on which the concession is asked for are as follows:—

(i) The existing arrangement was contemplated to come into effect from 1-3-1911, whereas it actually came into operation from Dec[r] 1912.

P. The mortgage deed is dated 7-12-1912.

(ii) So far the Company has had the benefit of the said arrangement for barely 2½ years, instead of 5 years as contemplated.

R.

* Para 5 (2) of G.O. no 7E5379 dt 28-4-1911. 97-135-09

(iii) Even during the period of 2½ years it has had to work under adverse conditions of trade for the past one year, as a consequence of the European War.

(iv) In spite of the shortness of the period viz 1½ yrs of normal trade conditions at its disposal

NOTE—Contn. sheet.

GPB—25,000—30-4-15.

J. R. S. 12]

General and Revenue Secretariat. | S 7 File No. 33 of 1915.

Serial No.

the result achieved showed appreciable progress as recognised by Govt in their order dt 19.2.15.

(iv) The entry of the Company into a new agreement with the Govt has helped the restoration of the price of its shares to the par value, the replacement of old machinery by new, and the strengthening of the Company's position by increased earning efficiency.

(v) Some most necessary improvements have yet to be made and any change in the present arrangement will adversely affect the position of the Company, having regard to the acute trade depression which is prevalent now and which may continue for some considerable time.

(vii) The concession asked for is within the scope of the mortgage deed.

(viii) The grant of the required time will enable the Company to further strengthen its resources and to discharge its debt to Govt without undue strain.

Submitted for orders.

Asst Secy 3/9/4

4. Note continued on the next page with reference to the Asst Secy's queries in the margin.

P.T.O.

(0)
(S754-14-6)

Asst Secy

V.S.?

How long will it take to clear 3 lakhs by profits after paying interest from 1915?

1) On the present basis of profits what will be the amount payable to Govt every year. What will be left for declaring dividend?

2) What is the approx. amount of the security for the first year 1912 to 1915?

3) Whether present agreement covers by proposed arrangement?

by 2/9/4

NOTE—Contn. sheet.

GPB—25,000—30-4-15.

~. R. S. 12]

General and Revenue Secretariat. | G.7 File No. 33 of 1915~.

Serial No.

5. (1) The net profits earned by the Company during the last 3 years are as follows:—

T. Year ending 28-2-1913 Rs 1,22,895-9-4

U. " " 28-2-1914 " 85,275-2-11

V " " 28-2-1915 " 81459-10-7

6. Considering the gradual fall in the profit earned & the alleged strained conditions of trade, Rs.80,000 may perhaps be taken as the annual profit hereafter for purpose of the present calculation.

7. Deducting out of this Sum, 5% on the book value* of machinery and buildings for Depreciation Fund, viz. Rs 40,000, there will be a balance of Rs 40,000. Two-thirds of the latter or Rs 26,666 will be the amount payable to Govt from Feb'y 1917 if the option to give notice in 1916 is exercised. At this rate it will take nearly 12 years for the discharge of the loan, ie the last payment will be in Feb 1928 instead of in Feb 1925 as agreed upon. With the termination of the European War and the restoration of normal trade conditions, the profits of the Company may perhaps increase and enable the discharge of the loan within the time fixed.

8. If payment of two thirds of profits as above is insisted on, the amount left

* taken at Rs 8,00,000 ; vide Balance Sheet for 28-2-1915

V.

P. Please see p.p. 16 of the Agreement.

NOTE—Contn. sheet.

GPB—20,000—30-6-15.

. R. S. 12]

General and Revenue Secretariat. | G.-7 File No. 33 of 1915.

Serial No.

annually for allotment towards Bonus to employees, Reserve Fund, and Dividend to Shareholders will be about Rs 14,000. Taking away Rs 7000 for the first two items, there will be another Rs 7000 left for the payment of dividends, which sum is less than half of what was allotted for the purpose during the last two years, viz Rs 16,350 at 6%.

9. (2) The assets, movable and immovable, of the Company (excluding Stock in trade) from 1912 to 1915 were as follows:—

Year ending 28.2.1912 Rs 7,79,527
" 28.2.1913 " 8,09,656.
" 28.2.1914 " 7,65,877
" 28.2.1915 " 8,42,129.

There has thus been an addition of about Rs 60,000 to the security for the Govt loan.

10. (3) There seems to be nothing in the mortgage deed prohibiting the acceptance of the present proposal. The Govt have reserved to themselves the option to require payment of 2/3 of profits from Feb 1917, and whether this right is exercised or not, the whole loan should be discharged by 28.2.1925.

11. According to the proposals now made, there will be only two payments towards the Govt loan; viz,—

Pages 14 to 16 of the Agreement

NOTE—Contn. sheet.

GPB—20,000—30-6-15.

. R. S. 12]

General and Revenue Secretariat. | G. 7 File No. 33 of 1915.

Serial No.

(i) in 1921 — of an amount equal to the instalments that would be paid from 1917 if the Option rejd to were exercised, ie instalments of 5 years = Rs 1,30,000 nearly.

Last paragraph of Paper under Disposal.

(ii) in 1925 — of the balance of loan that may remain due after the payment in 1921, ie about Rs 1,70,000.

In case of default in the payment of the instalments for 3 months after falling due, Govt have for the right, under the mortgage deed, to demand the whole loan at once.

Page 17 of the Agreement.

PO

Submitted

30/10 MSV 12. The above note Explains the position in a very clear manner. If Govt Exercise their option in ~~the~~ ~~have~~ from 1917, it will be clear that the Company will not be able to pay the Dividends at the usual rate of 6% to its Shareholders & its popularity will therefore Suffer. Govt are now in a safe position, their Capital is safe, & the security is being added to year after year and the interest due is being paid regularly. There can therefore be no harm in accepting the proposal of the Company ~~but a definite~~ In any case

x

Yes, but why bind ourselves? why not retain liberty of action?

NOTE—Contn. sheet.

GPB—20,000—30-6-15.

5/11

. R. S. 12]

General and Revenue Secretariat. | S.7 File No. 33 of 1915.

Serial No.	
	the loan will be discharged ~~in~~ before 1925 and the instalments due from 1917 to 1921 will be paid in the latter year in a lump sum.
597	Resd. H.S. 2/11/15
	13 I agree with M/S Jr. that it would be a pity to do anything which will cause the Company's ceasing to pay dividend. After many years of disappointment the shareholders are getting 6% for the last three years and the 250 Rs shares have risen from a nominal quotation of Rs 50 or Rs 60 to about par. The Company is paying interest regularly and we get considerable electric revenue from the mills on cotton goods. It will shortly become a big customer of our Electrical Dept. Some large Bombay mills have recently stopped working owing to depression in the trade and it would not be a good policy for our Govt to do anything which may lead to difficulties or failure on the part of this Company. Under these circumstances I would reply that in view of the representation of the Directors the Govt have no intention of giving notice ~~during the year~~ ~~May~~ ~~Feby~~ ~~of~~ for
	on 28.2.1916

NOTE—Contn. sheet.

GPB—20,000—30-6-15.

G. R. S. 12]

656

General and Revenue Secretariat. | S.7 File No. 33 of 1915.

Serial No.

The Share of profits during the year ending 28th Feby 1917 As regards future years if Govt think it necessary to enforce the conditions they will commit the Directors again. Please put up a draft according

M 5/11

14.

Draft Submitted

(Asst Secy) Ke 10/11

(1st Member) M 12/11/17

15 What is the exact amount of debt due to Govt.? What is the yearly amount of interest? How much has been paid and for what years is it outstanding? ~~How long has the company been paying at least dividend on shares and at what rate?~~ Is it legal to declare dividends without paying all the interest due to debtors? Please note on all these or bring up the file for personal discussion.

23/11/17

3 lakhs

12,000

9 mt right laid no outstandings

b20

NOTE—Contn. sheet.

GPB—25,000—2-11-14

General and Revenue Secretariat.

G. 7 File No. 33 of 1915.

Serial No.

16. The Company has admittedly come to a prosperous state now and I do not see why the Govt should continue its fostering policy or give more advantageous terms. Smaller undertakings get loans at a ~~lower~~ higher interest.

17. The issue of notice may be put off for one year or so but we should not enter into any new terms binding ourselves & consult them again. I have struck out the last sentence in the reply & otherwise modified the terms.

27/11/15

747

Reserved

18. Draft as revised by 1st member may issue.

1/12

19. Issue 2/12

NOTE—Contn. sheet.

G 2B—10,000—13-6-14

. R. S. 12]

General and Revenue Secretariat. | G. 7 File No. 33 of 1915.

Serial No. 13

To

messrs N. Sirur & Co; Agents.
The Mysore Spining & Manufg: Co: Ltd
Bombay.

No: 71 2488 dated 31st December 1915

With ref: to their representation dt 19.8.15 informs that Government have decided to postpone the issue of the contemplated notice (re the reduction of their indebtedness to the Mysore Government) for the present but cannot enter into any terms restrictive of their liberty to enforce the terms of the agreement at their discretion.

B

NOTE—Contn. sheet.

GPB—20,000—30-6-15.

N. SIRUR & CO.,
AGENTS.

TELEGRAMS:
Chamundi: { BOMBAY and BANGALORE.

75
H80

The Mysore Spinning & Manufacturing Company, Limited.

Bombay, 19th August 1915

MS Fri
For early action - for the Board to decide in time what they intend in the matter.
21/8

No. 656

10/8/16
SECTION G.7
FILE No. 33-15
SERIAL No. 1

To,

Dewan Bahadur
J. S: Chakravarti Esq, M.A., F.R.A.S.,
Financial Secretary to the Government of
His Highness the Maharaja of Mysore
Bangalore.

Sir,

N.
(3754-13-10)

With reference to your letter No. F 7126 dated the 27th May last inviting reference to the condition in the latest mort-gage deed regarding the Company's reducing its indebtedness by paying two-thirds of its net profits, we have the honour to state that the letter under reply was placed before the Board of Dire-ctors at their meeting held on the 18th instant and we have been instructed to submit the following reply.

P.
(2723-11)

2. The mortgage deed provides that on or after the twenty eighth day of February 1916 Government shall be at liberty by notice in writing to the Company or its Agents to require that the Company should reduce its indebtedness to Government by pay-ment to Government in each year thereafter two-thirds of the net profits of the Company's working and that the Company will pay two-thirds of such profits in each year commencing with the year 1917 if notice as aforesaid shall be given in the year 1916 or otherwise commencing with the year following the year in which such

COPIED.

such notice shall be given. Further, there is the provision that the whole sum of Rupees Three Lakhs will be paid not later than 28th February 1925.

3. When the present arrangement was under contemplation, it is evident from the above, that Government were of opinion that for at least a period of five years the Company should have the benefit of the present facilities and that if circumstances justified the continuance of these facilities the same might be continued for a further period. The existing arrangement was contemplated to come into operation from 1st March 1911, hence it was that Government retained the liberty of requiring the Company to reduce its indebtedness by paying Government two-thirds of the annual net profits from 1917 onwards.

4. As it was, the arrangement could be completed only in December 1912 and the Company so far has had barely two and a half years of the benefit of the new arrangement instead of the five years contemplated by Government. Out of these two years and a half for the last full one year the Company has had to carry on its operations under very adverse conditions of trade and finance brought about by the great war which is still raging. So the Company has had only a year and half of normal trade conditions under the present arrangement. Short as has been this period the results achieved by the Company show appreciable progress; and Government have graciously recognised this improvement in the affairs of the Company in their order No. F 4237-9 G F 54-14-6 dated the 19th February 1915.

5 As soon as it was known to the investing public that the Company was entering into a new agreement with Government on the lines of the present arrangement the price of the fully paid up shares of Rs.250 each rose from Rs.50 to Rs.150 each, and as

COPIED.

the

the Company paid dividends these shares attained their par value of Rs.250. The Company has almost completed the replacements of its old and worn out machinery by new machinery and has fitted up the mill with a complete installation of sprinklers. These improve-ments and additions have increased the value of the security to Government on the one hand, and on the other considerably streng-thened the position of the Company by increasing its earning efficiency. The fact that the Company has been carrying on its operations smoothly and with decent profits under the stress of unprecedented trade depression caused by the war for the last full one year testifies to the soundness of the position to which it has worked itself up.

6. Some most necessary improvements, however, have still to be made to the Mill and having regard to the acute trade depre-ssion prevalent at present which it is feared may continue for some considerable time, any disturbance in the present arrangement will adversely affect the position of the Company. The Directors are therefore, unanimously of opinion that Government should not exercise the right of requiring the Company to pay two-thirds of its annual net profits to Government in reduction of the Company's indebtedness from 1917 but should graciously agree to receive in 1921 within twenty eight days after the passing of the Company's annual accounts for that year, a sum equal to the total of the payments which Government would have received if they had exer-cised the right of giving notice in 1916. The balance of the loan that may remain due to Government after such payment in 1921 should be paid by the Company to Government in 1925 as provided for in the mortgage deed.

7 The interest of Government will in no way be adversely affected

COPIED.

affected by agreeing to the above proposal as the same is strictly within the scope of the mortgage deed; while it will give the Company the required time to build up and strengthen its resources so that it can, without feeling undue strain, discharge its debt to Government. Further, improvement of the Mills increases the value of the security to Government, and Government will have the satisfaction of helping on the concern to an independent and sound position, without in any way prejudicing their position as credi-tors of the Company. The Company has all along been anxious that the period of its dependence on outside finance should be as short as possible and no effort on its part has been spared up to now to reach that goal, and it is in furtherance of this object that the above proposal has been submitted to Government. The Directors feel confident that, looking to the reasonableness of the proposal, the progress made by the Mills in the short period that the present arrangement has been in operation, and also having regard to the unprecedented conditions of trade and finance now obtaining, - Government will be graciously pleased to agree to the proposal.

We have the honour to be,

Sir,

Your most obedient servants,

AGENTS.

COPIED.

5

G. R. S. 26]

SUBJECT Reduction of the indebtedness of the Mysore Spinning & Manufacturing Co., Ltd.

Diary No. of letter replied to 656.

Section 9. 7
File No. 33-15
Serial No. 13

General and Revenue Secretariat
(G.7)
, the 191 .

No. G 2488
3d Decr/15

Date of issue 3d Decr/15

To

Messrs N. Siva & Co
Agents, the Mysore
Spinning & Mfg Co. Ltd.
Bombay.

Signed by W. Shanmuga

Gentlemen,

With reference to the correspondence ending with your letter dated 19th August 1915, regarding the enforcement by Govt of the conditions in the mortgage deed executed by the Co. for the reduction of its indebtedness by paying

over.

Paper under Disp.

b.

two thirds of its net profits from the year 1917, I am directed to state that in view of the representation of your Directors the Govt have decided to postpone the issue of the contemplated notice for the present, but cannot enter into any terms restrictive of their liberty to enforce the terms of the agreement at their discretion.

~~In accordance with intention of giving notice on 28.2.1916 for the share of profits during the year ending 28.2.1917. As regards future years, if Govt think it necessary to enforce the conditions they will communicate with you Directors again.~~

I have &c
M 12/11
First Secy to Govt.
Ke
10/11/15

Ans
10/11

List of enclosures.

Copied by

Examined by

GPB—20,000—14-2-14